



This is a digital copy of a book that was preserved for generations on library shelves before it was carefully scanned by Google as part of a project to make the world's books discoverable online.

It has survived long enough for the copyright to expire and the book to enter the public domain. A public domain book is one that was never subject to copyright or whose legal copyright term has expired. Whether a book is in the public domain may vary country to country. Public domain books are our gateways to the past, representing a wealth of history, culture and knowledge that's often difficult to discover.

Marks, notations and other marginalia present in the original volume will appear in this file - a reminder of this book's long journey from the publisher to a library and finally to you.

### Usage guidelines

Google is proud to partner with libraries to digitize public domain materials and make them widely accessible. Public domain books belong to the public and we are merely their custodians. Nevertheless, this work is expensive, so in order to keep providing this resource, we have taken steps to prevent abuse by commercial parties, including placing technical restrictions on automated querying.

We also ask that you:

- + *Make non-commercial use of the files* We designed Google Book Search for use by individuals, and we request that you use these files for personal, non-commercial purposes.
- + *Refrain from automated querying* Do not send automated queries of any sort to Google's system: If you are conducting research on machine translation, optical character recognition or other areas where access to a large amount of text is helpful, please contact us. We encourage the use of public domain materials for these purposes and may be able to help.
- + *Maintain attribution* The Google "watermark" you see on each file is essential for informing people about this project and helping them find additional materials through Google Book Search. Please do not remove it.
- + *Keep it legal* Whatever your use, remember that you are responsible for ensuring that what you are doing is legal. Do not assume that just because we believe a book is in the public domain for users in the United States, that the work is also in the public domain for users in other countries. Whether a book is still in copyright varies from country to country, and we can't offer guidance on whether any specific use of any specific book is allowed. Please do not assume that a book's appearance in Google Book Search means it can be used in any manner anywhere in the world. Copyright infringement liability can be quite severe.

### About Google Book Search

Google's mission is to organize the world's information and to make it universally accessible and useful. Google Book Search helps readers discover the world's books while helping authors and publishers reach new audiences. You can search through the full text of this book on the web at <http://books.google.com/>

UC-NRLF



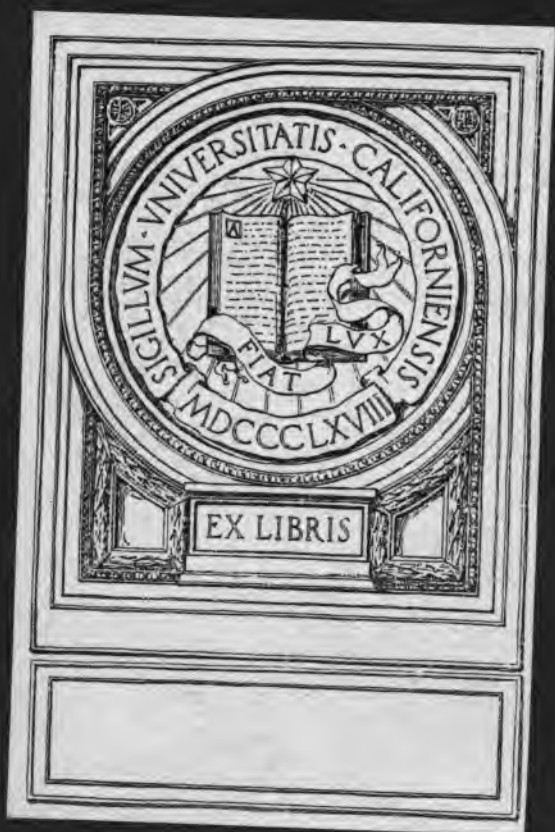
\$B 241 583

HE

743

U6C6

YB 65879



*The Abridged Debaters' Handbook Series*

SELECTED ARTICLES

ON

SHIP SUBSIDY

COMPILED BY  
CAROLINE A. CLIFFORD

MINNEAPOLIS  
THE H. W. WILSON COMPANY  
1913

UNIV. OF  
CALIFORNIA

HE 743  
.U6C6

## EXPLANATORY NOTE

The present volume in "The Debater's Handbook Series" has been compiled to give to the student, debater, or librarian, in a convenient form, all the material ordinarily called for or needed for a debate on the subject of Ship Subsidy. It contains a brief of the subject; a full list of references to books, pamphlets and magazine articles for the use of those who wish to go farther into the subject and to whom other material is accessible; and reprints, entire or in part, of the most valuable articles enlarging upon the points brought out in the brief. The question has been debated a number of times in Congress. A complete list of these debates may be found in the bibliography of Ship Subsidy published by the Library of Congress.

TO THE  
LIBRARY OF CONGRESS

## BRIEF

Resolved, That the government should establish subsidies for the upbuilding of the merchant marine.

### INTRODUCTION

- I. The question is important.
  - A. It concerns the economic and political conditions of the country.
  - B. It appeals to our patriotic aspirations.
- II. It is timely.
  - A. The internal development of the country has reached the point where capital is seeking new fields for investments.
  - B. Industries are requiring new markets.
- III. It is generally granted that we have practically lost our foreign carrying trade.
- IV. Granting this, the questions seem to be
  - A. Is a merchant marine essential to the welfare of the country?
  - B. If so, is the payment of subsidies the best method of acquiring a marine?
- V. A subsidy is a grant of money given by the government to assist an undertaking.

### AFFIRMATIVE

- I. A merchant marine is essential.
  - A. As an auxiliary to the navy.
    - 1. Colliers and transports.
    - 2. Extra ships in time of war.
    - 3. Training school for seamen.
  - B. For the efficient carrying of the mails.
  - C. To insure independence and safety in the carrying of our exports and imports.
    - 1. War between ship owning countries would cripple our commerce.

- 70 VINU  
ANSWER
- D. For the opening of new markets.
    - 1. Ships work for their own countries.
  - II. The payment of subsidies is the best method of acquiring a marine.
    - A. Experience has proved that it is efficient.
      - 1. In the United States.
      - 2. In foreign countries.
    - B. It is needed to equalize conditions here and abroad.
      - 1. Higher cost of labor in the United States.
      - 2. Higher cost of material in the United States.
      - 3. Foreign marines are heavily subsidized.
    - C. It is democratic.
      - 1. Will benefit all the people.
    - D. It is in accord with tried economic principles.
      - 1. It is a part of the protective system of encouraging industries.
    - E. It is just.
      - 1. Shipping is the only unprotected industry.
    - F. There is no better method.
      - 1. "Free ships" does not meet the conditions.
      - 2. Discriminatory duties are impossible because of existing treaties.

#### NEGATIVE

- I. A merchant marine is not essential.
  - A. As an auxiliary to the navy.
    - 1. Colliers, transports and extra ships may be bought cheaper from other countries.
    - 2. Coast-wise and lake fleets offer adequate training schools for seamen.
  - B. To insure independence and safety in the carrying of our exports and imports.
    - 1. In time of war neutral cargoes are protected.
  - C. For the opening of new markets.
    - 1. An efficient foreign banking system and consular service needed more than ships.
- II. The payment of subsidies is not the best method of acquiring a marine.

- A. Experience has proved that it is not efficient.
  - 1. In the United States.
  - 2. In foreign countries.
- B. It is not needed to equalize conditions here and abroad.
  - 1. Higher cost of labor in the United States is offset by greater skill of workmen.
  - 2. Cost of material is equal or lower.
  - 3. Foreign marines are not heavily subsidized.
- C. It is not democratic.
  - 1. It is taxation of all for the benefit of a few.
- D. It is not in accord with sound economic principles.
  - 1. High cost.
  - 2. Taxation of a population to make an unprofitable business profitable.
- E. It is unjust.
  - 1. Ship builders already protected.
  - 2. Not fair to subsidize any special industry.
- F. There are other better methods.
  - 1. "Free ships".
  - 2. Discriminatory duties.



# BIBLIOGRAPHY

## BIBLIOGRAPHIES

A star (\*) preceding a reference indicates that the entire article or a part of it has been reprinted in this pamphlet.

- Dunmore, Walter T. Ship Subsidies. Boston and New York. 1907. pp. xi-xviii.
- Library of Congress. Division of Bibliography. A List of Books (with References to Periodicals) on Mercantile Marine Subsidies. A. P. C. Griffin. 43p. Washington. 1906.
- Library of Congress. Division of Bibliography. Additional References Relating to Mercantile Marine Subsidies. H. H. B. Meyer. Washington. 1911.
- Meeker, Royal. History of Shipping Subsidies. pp. 219-26. American Economic Association. 1905.
- Pearson, Paul M., ed. Intercollegiate Debates. pp. 431-2. New York. 1909.

## GENERAL REFERENCES

- Bacon, Edwin M. Manual of Ship Subsidies: an Historical Summary of the Systems of All Nations. Chicago. 1911.
- Bates, William W. American Marine: The Shipping Question in History and Politics. Boston and New York. 1892.
- Chamberlain, E. T. United States Merchant Marine in 1910. (In the American Year Book. 1910. pp. 526-7. New York. 1911.)
- Crowell, John F. Present Status and Future Prospects of American Shipbuilding. (In LaFollette, Robert M., ed. Making of America. vol. IV, pp. 129-40. Chicago. 1906.)
- Dunmore, Walter T. Ship Subsidies: an Economic Study of the Policy of Subsidizing Merchant Marines. Boston & New York. 1907.

- Hadley, Arthur T. Subsidies. (In Lalor, J. J., ed. *Cyclopaedia of Political Science, Political Economy and of the Political History of the United States*, Vol. III, pp. 818-22. New York. 1899.)
- Johnson, E. R. and Huebner, G. G. Ship Subsidies and Mail Payments. (In the *American Year Book*. 1910. pp. 525-6. New York. 1911.)
- Nixon, Lewis. Progress and Promise in American Shipbuilding. (In LaFollette, Robert M., ed. *Making of America*, Vol IV. pp. 119-28. Chicago. 1906.)
- Question of Ships. (*Questions of the Day*.) New York. 1890.
1. The decay of our ocean mercantile marine—its causes and cure. David A. Wells.
  2. Shipping subsidies and bounties. John Codman.
- Soley, James R. Maritime Industries of America. (In Shaler, N. S. *United States of America*, Vol. I, pp. 518-624. New York. 1894.)
- United States. Senate. Committee on Commerce. Development of the American Merchant Marine. Report. Washington: Gov. print. office. 1906. (59th Cong., 1st sess. Senate. Report 10.)
- Wisconsin. University. University Extension Division. Dept. of Debating and Public Discussion. Increase of Navy and Ship Subsidies. Madison. 1910.

#### *Magazine References*

- Atlantic. 47: 166-74. F. '81. Future of American Shipping. Henry Hall.
- Atlantic. 104: 13-22. Jl. '09. Wanted: an American Merchant Marine. A British Marine Officer.
- Atlantic. 106: 740-4. D. '10. One Way to an American Merchant Marine. Francis T. Bowles.
- Current Literature. 32: 389-90. Ap. '02. Subsidization of Various Mercantile Marines.
- Fortnightly. 76: 61-75. Jl. '01. Commercial Rivalry with America. Benjamin Taylor.
- Forum. 24: 150-8. O. '97. Our Need of Merchant Vessels. Eugene T. Chamberlain.
- Gunton. 24: 415-21. My. '03. Future of Our Merchant Marine. Edwin Maxey.
- Scientific American. 86: 166-7. Mr. 8, '02. How Various Countries Subsidize Their Mercantile Marines.

## AFFIRMATIVE REFERENCES

- †Congressional Record. 15, pt. 4: 3447-9. Ap. 26, '84. Nelson Dingley.
- Congressional Record. 16, \*pt. 2: 1444-6. F. 7, '85. Nelson Dingley.
- Congressional Record. 16, pt. 3: 2016-20. F. 23, '85. William P. Frye.
- Congressional Record. 21, pt. 7: 6908-15. Jl. 2, '90. William P. Frye.
- Congressional Record. 35, pt. 3: 2440-5. Mr. 6, '02. Marcus A. Hanna.
- Congressional Record. 35, pt. 3: 2773-9. Mr. 14, '02. Ship Subsidy Bill. J. B. Foraker.
- \*Congressional Record. 40, pt. 6: 5818-40. Merchant Marine. Charles H. Grosvenor.
- \*Congressional Record. 40, pt. 2: 1876-84. Boies Penrose.
- \*Congressional Record. 41, pt. 5: 4637-53. Jacob H. Gallinger.
- Congressional Record. 41, pt. 1: 278-81. Address before the Trans-Mississippi Commercial Congress, Kansas City, Nov. 20, 1906. Elihu Root.
- Congressional Record. 42, pt. 3: 2371-9. F. 24, '08. Jacob H. Gallinger.
- Congressional Record. 46, pt. 2: 1345-9. Ja. 24, '11. Henry C. Lodge.
- Hall, Henry. American Navigation, with Some Account of the Causes of Its Former Prosperity and Present Decline. New York. 1878.
- Hill, Charles S. Our Merchant Marine: a Voice for American Commerce. 2d ed. rev. New York. 1877.
- Pearson, Paul M., ed. Intercollegiate Debates. pp. 405-32. New York. 1909.
- Shaw, Leslie M. Merchant Marine. (In his Current Issues. p. 189.) New York. 1908.

## *Magazine References*

- Annals of the American Academy. 37: 738-42. My. '11. Closer Commercial Relations with Latin America. B. N. Baker.

---

† A complete list of government publications containing material on "Ship Subsidy" can be found in the Library of Congress bibliography of the subject.

- Arena. 17: 242-52. Ja. '97. Our Own Ships for Our Foreign Trade Essential to Prosperity. William W. Bates.
- \*Atlantic. 104: 433-41. O. '09. American Ships and the Way to Get Them. Winthrop L. Marvin.
- Chautauquan. 8: 404. Ap. '88. American Shipping. Henry Hall.
- Columbian. 1: 675-97. Mr. '10. Shall Europe and Japan Control Our Commerce? Elihu Root; "Humiliating to Our National Pride". W. H. Taft; The Argument for An Adequate Merchant Marine. Charles Nagel.
- Columbian. 3: 833-4. F. '11. Why We Should Have a Merchant Marine. W. H. Taft.
- Forum. 12: 387-98. N. '91. American Shipbuilding and Commercial Supremacy. Charles H. Cramp.
- Forum. 29: 532-44. Jl. '00. Shipping Subsidy Bill. Eugene T. Chamberlain.
- Forum. 42: 99-104. Ag. '09. German Merchant Marine. Edwin Maxey.
- \*Independent. 53: 10-5. Ja. 3, '01. National Problem. Marcus A. Hanna.
- \*Independent. 60: 1459-63. Je. 21, '06. Meaning and Necessity of Ship Subsidy. William P. Frye.
- \*Independent. 62: 9-13. Ja. 3, '07. American Ships on the Pacific. John D. Spreckels.
- Independent. 67: 1169. N. 25, '09. Speech of Elihu Root at the Annual Dinner of the New York Chamber of Commerce, November 2, 1909.
- Independent. 68: 731-4. Ap. 7, '10. Revival of Our Merchant Marine. Chauncey M. Depew.
- Lippincott. 45: 715-25. My. '90. Subsidies and Shipping. Henry W. Raymond.
- North American. 132: 467-81. My. '81. Shall Americans Build Ships? John Roach.
- North American. 146: 566. My. '88. American Shipping—the Disease and the Remedy. E. P. North.
- North American. 148: 687-96. Je. '89. How to Restore American Shipping. Nelson Dingley.
- North American. 156: 398. Ap. '93. Shipbuilding Here and Abroad. Philip Hichborn.

North American. 158: 433. Ap. '94. Our Navigation Laws.  
 Charles H. Cramp.  
 North American. 168: 240. F. '99. Our Merchant Marine.  
 Sereno E. Payne.  
 North American. 172: 285-90. F. '01. Substitutes for Ship  
 Subsidy: a Reply. A. R. Smith.  
 North American. 175: 829-34. D. '02. British Subsidies and  
 American Shipping. Charles H. Cramp.  
 North American. 177: 533-43. O. '03. New Cunard Steamship  
 Contract. Eugene T. Chamberlain.  
 North American. 182: 446-55. Mr. '06. Pending Shipping Leg-  
 islation. W. E. Humphrey.  
 Outlook. 82: 765. Mr. 31, '06. Ship Subsidies.  
 Outlook. 94: 124-30. Ja. 15, '10. Revival of Our Shipping.  
 Alfred Spring.  
 \*Overland Monthly. 51: 397-402. My. '08. Our Maritime  
 Outlook. John F. Greathead.  
 Review of Reviews. 21: 319-25. Mr. '00. American Merchant  
 Marine. W. L. Marvin.  
 Scientific American. 84: 18. Ja. 12, '01. Ship Subsidy Bill.  
 Scientific American. 86: 68-9. F. 1, '02. Ship Subsidy Bill.  
 Scientific American. 94: 166. F. 24, '06. Ship Subsidy Bill.  
 Scientific American. 94: 226. Mr. 17, '06. Shipping Bill in a  
 Nutshell.  
 Scientific American. 98: 291. Ap. 25, '08. Improvement of the  
 American Merchant Marine. William P. Munger.

#### NEGATIVE REFERENCES

Congressional Record. 34, pt. 1: 225-35. Alexander S. Clay.  
 Congressional Record. 34, pt. 2: 1776-84. James H. Berry.  
 Congressional Record. 35, pt. 3: 2395-404, 2435-40. Alexander  
 S. Clay.  
 Congressional Record. 35, pt. 3: 2720-5. James H. Berry.  
 Congressional Record. 43, pt. 2: 1443-5. How to Build Up  
 Our Merchant Marine Without Subsidies. Gustav Kuster-  
 mann.  
 Congressional Record. 44, pt. 2: 1275-84. American Merchant  
 Marine. William Sulzer.  
 Congressional Record. 45, pt. 1: 422-31. Rebuilding Merchant  
 Marine Without Subsidies. Gustav Kustermann.

Congressional Record. 46, pt. 2: 1495-6. How Shall We Restore the American Merchant Marine? William Sulzer.  
 Congressional Record. 46, pt. 2: 1639-45. William J. Stone.  
 Meeker, Royal. History of Shipping Subsidies. American Economic Association. 1905.  
 Pearson, Paul M., ed. Intercollegiate Debates. pp. 405-32. New York. 1909.

### *Magazine References*

\*Arena. 23: 606-16. Je. '00. Should Our Marine Be Subsidized? J. C. Watson & Richard Runke.  
 Arena. 25: 148-62. F. '01. Merchant Seaman and the Subsidy Bill. Walter Macarthur.  
 Arena. 35: 201-2. F. '06. Ship Subsidy and Its Missionaries.  
 Atlantic. 85: 387-94. Mr. '00. British Shipping Subsidies. J. W. Root.  
 Engineering Magazine. 18: 893-902. Mr. '00. World's Shipbuilding. Benjamin Taylor.  
 \*Engineering Magazine. 38: 423-4. D. '09. Can the United States Revive Its Merchant Marine?  
 \*Gunton. 19: 113-25. Ag. '00. Sound Shipping Protection. William W. Bates.  
 Harper's. 76: 434. F. '88. American Shipping Interest. Osborn Howes, jr.  
 Independent. 53: 223-4. Ja. 24, '01. Subsidy Project.  
 Independent. 61: 1299-301. N. 29, '06. Subsidies for Trade with South America.  
 Independent. 68: 729-31. Ap. 7, '10. Ship Subsidy a False Theory. Theodore E. Burton.  
 Journal of Political Economy. 14: 370-91. Je. '06. Subsidizing Merchant Marines. Frank L. McVey.  
 Nation. 69: 104-5. Ag. 10, '99. Ship Subsidies Plot.  
 Nation. 70: 4-5. Ja. 4, '00. Don't Give up the Ship.  
 Nation. 70: 64. Ja. 25, '00. Denouncement of Hanna-Payne bill.  
 Nation. 70: 126-7. F. 15, '00. Ship Subsidy Bill.  
 Nation. 71: 182-3. S. 6, '00. Ship Subsidies.  
 Nation. 71: 269-70. O. 4, '00. How the Subsidy Works.  
 Nation. 71: 463-4. D. 13, '00. Ship Subsidy Bill Again. Freeman Stewart.

Nation. 71: 482. D. 20, '00. Senator Hanna's Speech.  
 Nation. 71: 503-4. D. 27, '00. Mr. Clyde on Ship Subsidies.  
 Nation. 72: 5-6. Ja. 3, '01. Ship Subsidy Humbug.  
 Nation. 72: 389-90. My. 16, '01. Shipping Bounties and Subsidies.  
 Nation. 73: 294-5. O. 17, '01. Opposition to the Ship Subsidy.  
 Nation. 73: 410-1. N. 28, '01. Shipping Trust.  
 \*Nation. 74: 4-5. Ja. 2, '02. Effectiveness of Subsidies.  
 Nation. 80: 45-6. Ja. 19, '05. Trouble with Our Shipbuilding.  
 Nation. 81: 312. O. 19, '05. Shaw on Ships.  
 Nation. 81: 352-3. N. 2, '05. History of Shipping Subsidies.  
 Nation. 84: 74. Ja. 24, '07. Preparing Subsidy Scandals.  
 Nation. 86: 482-3. My. 28, '08. Free Trade and the Merchant Marine.  
 Nation. 89: 456. N. 11, '09. Shipbuilding Subsidies. Letter.  
 Nation. 89: 502. N. 25, '09. Senator and the Subsidy.  
 Nation. 89: 590-1. D. 16, '09. Free Trade and British Shipping.  
 Nation. 94: 381-2. Ap. 18, '12. Another Appeal for Free Ships.  
 New England Magazine, n. s. 36: 50-62. Mr. '07. American Shipping and Pending Shipping Legislation. David P. Rice.  
 North American. 132: 559-66. Je. '81. Shall Americans Own Ships? W. G. Sumner.  
 North American. 142: 478-84. My. '86. Ship Building vs. Ship Owning. John Codman.  
 North American. 160: 85. Ja. '95. Shall We Have Free Ships? Edward Kemble.  
 North American. 172: 113-21. Ja. '01. Substitutes for Ship Subsidies. Louis Windmüller.  
 North American. 184: 157-69. Ja. 18, '07. How France Protects Her Merchant Marine. Achille Viallate.  
 Outlook. 66: 966-8. D. 22, '00. Ship Subsidy Bill.  
 Outlook. 84: 815-7. D. 1, '06. Ship Subsidies.  
 Outlook. 85: 300-1. F. 9, '07. Ship Subsidies and Special Privilege.  
 Outlook. 85: 307-11. F. 9, '07. Ship Subsidies.  
 Outlook. 85: 816. Ap. 6, '07. Ship Subsidies. Osborne Howes.  
 Outlook. 88: 815-6. Ap. 11, '08. Ship Subsidies.

Outlook. 88: 819-21. Ap. 11, '08. Revival of Ship Subsidies.  
 Louis Windmüller.  
 Outlook. 93: 790-1. D. 4, '09. Ship Subsidy Question.  
 Outlook. 94: 108-9. Ja. 15, '10. Ship Subsidies.  
 \*Political Science Quarterly. 20: 594-611. D. '05. Shipping  
 Subsidies. R. Meeker.  
 Review of Reviews. 21: 325-8. Mr. '00. Policy of Steamship  
 Subsidies. A. T. Hadley.  
 Review of Reviews. 23: 200-1. F. '01. Why the Bill is Ob-  
 jectionable. John de Witt Warner.  
 Scientific American. 86: 204. Mr. 22, '02. Subsidies Paid to  
 German Vessels. E. L. Boas.



## REPRINTS

**Atlantic Monthly.** 104: 433-41. October, 1909.

American Ships and the Way to Get Them.

Winthrop L. Marvin.

The first federal government in 1789 had found the American merchant marine almost as shrunken and dead as it is now—a mere skeleton of 123,000 tons, capable of carrying only a fraction of our commerce, which was conveyed as now largely by British shipping. But the statesmen of 1789, in their very first tariff act, “for the protection and encouragement of manufactures,” embodied stalwart protection for American ships and sailors through the form of discriminating tonnage and customs taxes, which compelled American merchants to employ the ocean carriers of their own country—and the law required that these ocean carriers should be built in the United States.

This bold protective measure, which Washington and Madison joined in framing and enforcing, proved so successful that by 1800 our registered merchant fleet had expanded to a tonnage of 667,000, carrying 89 per cent of our imports and exports, and by 1810 to a tonnage of 981,000, carrying 91 per cent of our imports and exports. These policies of ship protection, though modified here and there in the years that followed, were not entirely withdrawn against Great Britain, our chief competitor, until 1849, and by that time they were reinforced by a generous system of mail subsidies which rapidly developed steamship-building and engine-building in the United States, and gave to our ocean steam fleet a growth in quantity and quality far superior to that of the United Kingdom. These early American mail subsidies, by the way,—it is worth recalling now,—

had been granted by Democratic Congresses, on the recommendation of Southern Democratic presidents. They created several American steam lines to Europe, with which the feebler and slower British subsidized ships could not compete, and other lines to the West Indies and in the Pacific Ocean.

The American merchant marine, as it stood at the height of its strength, in 1855, when 583,000 tons of shipping were launched in the United States, was the result of a system of national protection deliberately initiated in 1789 by the founders of the federal government. Even through those periods when low-tariff or anti-protection theories had prevailed in Congress and the country, the merchant marine was sedulously fostered by discriminating duties, and later by subsidies to mail lines, while all the time direct bounties were paid to the vessels and men of the deep-sea fisheries, "the nursery of the navy." There was small protection then for pig iron and cotton cloth, but much protection for ships and, therefore, for shipbuilding. This maritime interest up to 1855 was unquestionably the most progressive, efficient and prosperous interest in America.

Those were the years of the Dreadnought and the Flying Cloud, and of the still swifter steamers of our subsidized mail lines—the years of which this British officer writes, when the Stars and Stripes were streaming proudly at the peaks of the finest ships in the ports of every ocean. A significant decline came in the years immediately before the Civil War—our shipbuilding fell off from 583,000 tons in 1855 to 214,000 tons in 1860. One cause of this shrinkage was that, as a direct result of the fierce sectional jealousy and strife over the slavery issue in Congress, the ocean-mail subsidies were withdrawn, in retaliation on the part of the leaders of the South against the abolition ports of the North, which built and owned most of these swift and powerful vessels of such unmistakable value in the conflict now seen to be impending.

Not all the pluck and resource of Vanderbilt and Collins, the ablest ship managers of their time, could sustain the American steam lines, unsubsidized, against the treasuries of Europe; and all but a few of the splendid Yankee steam-

ships had vanished with the clipper ships from the great trade routes of the North Atlantic when the first shots of the war were fired at Sumter. The Civil War did not begin the destruction of our ocean shipping, as is often but incorrectly stated: the destruction had begun before. American ships, without their mail pay, though larger and faster ships, could not compete with the British Cunard line and its subsidy of \$900,000 a year. As one of the greatest of American merchants of that period, A. A. Low, Esq., father of Hon. Seth Low of New York City, said:—

“I only know the English have always, in peace and war, manifested a determination to hold the supremacy of the ocean, and the supremacy which they acquired by arms in war they have in peace acquired by subsidy. . . . They have driven us from the ocean by this policy just as effectively as they ever did drive an enemy from the ocean by their guns.”

Here in a nutshell is the problem of the American merchant marine. We have established a protective system, and we have left out of that system the industry of the ocean-ship-owner. We have thereby killed that industry, exactly as we should have killed the manufacture of cotton goods or woolen goods if we had left that industry alone out of the protective system. The manufacturer could not buy his labor and materials in a protected market, and yet sell his product under terms of free-trade competition with all the world. The shipowner has not been able to buy his labor and materials in a protected market—it is only of recent years that materials have been free—and yet sell his product, which in this case is the service of his ship, under terms of free-trade competition with all the world; or, worse, under terms of free-trade competition frequently aggravated by the bounties or subsidies of other governments.

Let us take a specific case in point. A few years ago, a group of Boston merchants, alert, courageous, enterprising men, thoroughly versed in the shipping business, raised in Massachusetts a considerable amount of capital and built two large and three smaller American steel steamships especially designed for the economical carrying of heavy cargoes—the two larger ships carried passengers besides. This

new Boston fleet, finding the North Atlantic crowded, was put on the route from Puget Sound across the Pacific to Japan, China, and the Philippines. The line was operated with the energy and thrift characteristic of New England. It developed an important export trade from our Northwest to the Orient. It did this without national aid, and received from our government only ten or twelve thousand dollars a year for carrying the United States mails.

But this American line ran in direct competition, from Puget Sound to Asia, with a British line of three steamers, cut of a Canadian port, less adapted for economical operation but receiving a mail subsidy of \$300,000 a year, and with a Japanese line of three or four steamers receiving a subsidy of \$330,000. After three or four years of this hopeless competition, the Boston managers of this steamship company were compelled to abandon the service and pocket a heavy loss, transferring their three smaller steamers to the coastwise trade and selling the two larger to the government.

These five Boston ships were all built in the United States, by American workmen, out of American materials—they could have been built out of foreign materials imported free of duty, but in that case they would not have been eligible for the coastwise trade. Now suppose that under a "free-ship" policy the five ships had been built or bought in England. They would have cost somewhat less money,—perhaps twenty-five to thirty-five per cent less,—simply because English mechanics will work for one half of the wages of American. But would that have equalized conditions and enabled the British-built American ships, earning practically no subsidy, to compete with British ships subsidized for \$300,000 a year, or Japanese ships subsidized for \$330,000?

Nor is this experience in any way exceptional. On all of the important routes of the world's commerce, the dominating factors in transportation at the present time are the great national mail-subsidized lines of foreign governments. The year before this Boston-owned Puget Sound line was abandoned, another American line, the Oceanic, was driven off the route from San Francisco to Australia. Though this

American Oceanic line performed the fastest and most exacting service in the Pacific Ocean, it was paid at a rate about one-half of that given to the French or German companies running out from Europe to Australia; much less than that of the British lines, and less than that of the Japanese. These Oceanic steamers were among our few naval-reserve ships; and, as naval auxiliaries under our law, were manned by American seamen at \$40 a month, while the European and Japanese ships in the Australian trade were manned chiefly by Asiatics at \$8.

It is simply paltering with a great and vital national question to plead that a "free-ship" policy—that is, the purchase of American ships in British yards—would of itself enable American shipowners to meet the conditions with which they are confronted in the Pacific and Atlantic oceans. The British officer who urges this "free-ship" plan as all-sufficient declares, in all sincerity, that it is "pure nonsense" to say that British steamship companies receive "national aid in the way of grants and subsidies." Fortunately, this is a matter of official record, and our British officer need only turn to the postal and admiralty reports of Great Britain, and the postal reports of her colonies, to discover that, instead of "one or two of the big mail companies," as he says, there are thirty or more great lines of British steamers, to all parts of the world, receiving from \$8,000,000 to \$9,000,000 in subsidies in the present year. Since 1840, the British expenditure upon subsidies exclusively to British ships has been very nearly \$300,000,000. It is the custom to proclaim that none of this protection has been given to slow "tramp" ships, and, directly, this is true; but indirectly the enormous mail-subsidy grants of the British government have quickened and developed the entire mercantile marine of the United Kingdom. For these subsidies in the beginning opened up new trade routes and created commerce in which the slower cargo craft inevitably shared. And in the early days of steamship-building the mail subsidies served as bounties and gratuities for the development of new shipyards and engine works in which mail liners were built at first and cargo-carrying vessels were afterwards constructed.

There are two great conspicuous British steam lines en-

tering the ports of Boston and New York—the Cunard and White Star companies. Both of these have been mail-subsidized by the British government for many years—the Cunard line from its earliest beginnings. It is this latter company which has afforded the most illuminating recent example of the generosity and courage with which Great Britain fosters her mercantile marine. For the British government, with the express sanction of Parliament, has actually loaned to the Cunard line out of the British Treasury a sum approximating \$13,000,000, to pay for the construction of the *Mauretania* and *Lusitania*, and has also provided a subsidy of \$1,100,000 a year for twenty years, sufficient to repay the loan with interest! In other words, the Cunard line is fitted out with great new ships at the direct cost of the British taxpayers—a subsidy proposal which nobody has ever yet had the hardihood to suggest to the protectionist government of the United States.

Germany in the beginning tried the “free-ship” expedient alone, having no shipyards in which either merchant craft or men-of-war of large size could be constructed. The experiment was a complete and acknowledged failure, the German mercantile tonnage increasing only from 1,098,000 in 1873 to 1,243,000 in 1881. Then Bismarck appealed to the Reichstag for a positive and liberal policy of state aid through mail subsidies, preferential railroad rates, and other potent forms of imperial encouragement. Now the real growth of the German merchant marine began, and the tonnage of the Empire rose to 2,650,000 in 1900, and to 4,232,000 in 1908. The subsidies to the imperial mail lines were given on the express, significant condition that the ships receiving them should be built in German shipyards, by German workmen, as far as possible of German materials. Under this direct and vigorous protectionism, Germany, which thirty years ago was forced to buy even her battleships in England, has now developed several of the greatest shipyards in the world. For a long time the North German Lloyd has purchased no important ship abroad, and it was recently announced that hereafter the Hamburg-American line would depend entirely upon native construction.

The experience of France was similar. After a long and

patient trial of "free ships," the French people found themselves in 1881 with actually a feeblor ocean fleet (914,000 tons) than they had possessed in 1870 (1,072,000 tons), while French shipbuilding was so nearly dead that it was a serious question whether French battleships would not have to be procured from England. In sheer desperation at the utter failure of the "free-ships" experiment, the French government resorted to subsidy and bounty on an extensive scale. The British officer writing in the *Atlantic Monthly* states that "Statistics declare a decrease" in French tonnage under this policy. He is very seriously misinformed. The records of the Bureau Veritas show that the French mercantile marine, which was 914,000 tons in 1881, has actually doubled to 1,952,000 tons in 1908—the later increase consisting chiefly of steamships of high character. This gain is all the more notable because it places France almost on an equality with the 1,977,000 tons of the merchant marine of Norway, to which France twenty years ago seemed hopelessly inferior. The Norwegian government, grasping the significance of this, has lately begun to offer subsidies of its own to create steamship lines to the West Indies and South America, while a very much more ambitious project has just been broached for a direct Norwegian line to the United States.

Sweden lends public money to her shipowners to establish lines, after the British Cunard example. Austria grants bounties to native shipyards, and subsidies to ocean steamship services. Even Russia, taught by the results of the late war, is offering national aid to arouse the maritime enterprise of her people. Italy has a subsidy and bounty system similar to that of France, and the strong new steam lines which Italian capital has recently established across the North and South Atlantic are due directly to this powerful national protection and encouragement.

But perhaps the most striking recent example of the success of state aid in the creation of an ocean shipping is the experience of Japan. There, too, the first reliance was placed on a "free-ship" policy, and there, as elsewhere, while depended on alone, this ignominiously failed. In the war with China in 1894, Japan found herself with only about 200,000 tons of ocean vessels, and with almost no facilities

for repairing, not to say building, them. The Japanese statesmen thereupon launched out upon the most generous and comprehensive system of subsidy and bounty, encouraging both "tramp" ships and regular lines, and developing native shipyards by the expedient of granting a bonus for every ton of ocean shipping constructed. In ten years the Japanese merchant marine had grown from the 200,000 tons of 1894 to 830,000 tons. The total for 1908 is 1,243,000 tons, and the Japanese payments for subsidy and bounty, exclusively to Japanese ships, are not far from \$6,000,000 a year.

China and the United States are the only important governments which have held aloof from the modern policy of direct and liberal national aid to the merchant marine. Subsidy to shipping in some form or degree—in the form of payments either to regular mail lines or to all ocean ships—is now as fixed a practice as is the use of the gold standard among progressive nations.

#### **Overland Monthly. 51: 397-402. May, 1908.**

##### **Our Maritime Outlook. John F. Greathead.**

The reasons why we lost our merchant marine in foreign trade were three-fold. First, the initial cost of a vessel was 30 to 50 per cent greater in this country than abroad, due chiefly to the high wages of labor here. Congress requires, however, that every vessel which expects to sail under our flag shall be built in an American yard. Second, the cost of operation was much greater under American laws than those of any other great nation. We require the vessel to be officered by Americans, and the food schedule is of unexampled quality. Third, every nation but our own directly or indirectly subsidized its shipping, so that the profits of the latter were secured in advance, and it was enabled to underbid our marine in freight and passenger rates.

The remedy for the first handicap is industrial rather than legislative. The price of steel in the United States has already fallen below that in Europe. While there is no likelihood of the cost of labor diminishing in this country, our intelligent workmen know how to employ steam, electricity



and compressed air to great advantage, and just as soon as we have enough orders for ships to enable us to standardize and specialize in building them, there is not the shadow of a doubt that our methods will prove as economical here as they have in every other line of manufacturing.

In regard to the second handicap, no one wants European marine standards of comfort or wages introduced in this country. Swedish wages, for example, are often from one-third to one-half of what American steamships pay, and other countries show discrepancies almost as great. It is probable that the cost of labor will always be highest on American vessels. But, after all, that expense is but a fraction of the total cost of operating a line, and I am indulging in no air-castles when I prophesy that economics will show themselves in the machinery, fuel and general efficiency of the service which will more than wipe out this item.

Since the prevention of the third difficulty is manifestly impossible, our duty lies in finding a remedy for it. Every feasible suggestion which has ever been made has been, basically, a method of Government aid, an extension of the "protection" principle to our merchant marine. In the good old days of the early republic, when nobody thought of doubting the motives of their legislature, Government aid under every conceivable form was extended to our shipping. Since then, however, we have learned to think twice before cheering the most inoffensive looking bill on its way; and, so far, every move which has been made at Washington in this direction has met with powerful opposition. The same hard-headed man who will willingly vote money to promote local railroads and other transportation facilities, will hold up his hands in horror at the suggestion of "offering inducements" to a struggling steamship line, however important. If our domestic market is the greatest in the world to-day, it has only been made possible by the immense extension of our railroad system. The Government was always prompt to see the advantage of directly helping an ambitious road through the dark days of construction and early operation; and then the cities and townships vied with one another in attracting the line to their vicinity, by voting bonds to be

exchanged for stock, or by guaranteeing the railroad bonds. There have been land grants and special privileges of all kinds given to particular railroad companies. Now that railroads are not so essential, laws relating to them are being framed more conservatively. But there is a crying need for a merchant marine; we are the happy possessors of practically no means of carrying our goods on the high seas.

A few lines, by living up to speed and service specifications, are profiting by the very moderate extra compensation for carrying the mails allowed them by the ocean-mail act of 1891, but the amount is too small to induce new lines to be formed. It should be emphasized here that the United States is the only large nation which actually makes any profit out of the ocean mail service, the surplus being from two to three millions a year. Great Britain, for instance, devotes her entire ocean mail income, together with several million dollars more, to the encouragement of her steamship lines. Whence originate such painful sights as that of the five large Pacific liners which, on the Seattle-Orient route, endeavor to compete, on a \$5,000 allowance for the U. S. mail, with the British line from Vancouver, and a Japanese line from Puget Sound, receiving from their Governments \$290,000 and \$330,000 respectively. Similarly, our Pacific Mail steamers from San Francisco receive the munificent sum of \$70,000 for mail, and yet will not give up the fight with a Japanese parallel line whose government aid amounts to \$600,000.

The most direct and energetic way to prevent a swift collapse of the remainder of our registered fleet would undoubtedly be a system of subsidies or bounties to counteract those of our rivals—if such a bill could be passed. As a matter of fact, if our ship-yards and transports had to wait for relief until a majority of both houses favored such a law, they might as well go into the receiver's hands at once. Forgetting that every time the Government improves a harbor, or irrigates barren land, or builds levees, or engages in any other great work for the ultimate good of the country, it must necessarily and unavoidably "subsidize" those cities or persons most benefited, the average citizen classes "subsidy" with "monopoly," "graft" and unspeakable possibilities.

He takes far more kindly to the "differential tax" or "discriminating duty" idea, by which foreign vessels would have to pay a duty on their goods which our vessels would not. This policy worked wonders in the days of Thomas Jefferson, but to return to it to-day, we would have to abrogate some thirty commercial treaties now in force, and certainly provoke retaliation. Again, about forty per cent of our imports are on the free list of the present tariff, and we would have to choose between offering no obstruction to foreign ships carrying them, and placing a duty on them if carried in foreign bottoms. The latter would, of course, raise the price of the commodities in this country, as for many years to come foreign vessels would still carry a big percentage of our imports.

Providentially, there has been thought out still a third way which really seems to be ideal, and to offer few grounds for opposition. In fact, the only important objection is that of moderate expense; but whenever one considers the quite respectable percentage of our wealth which annually passes into the hands of the very foreigners who are astutely trying to manoeuvre us from the high seas, one is tempted to adopt the famous slogan of 1798—"Millions for defense—not one cent for tribute!"

The idea, in its barest outline, is to pay an annual subvention of, say, \$5 per registered ton for every steam or sailing vessel engaged twelve months of the year, and a proportionate payment for a lesser period, in the foreign trade. The plan instantly commends itself for its simplicity and fairness. Its cost would always be a mere fraction of the hundred millions we would save. The probable and desirable result of such a law would be the launching of heavy-tonnage freighters, rather than "ocean greyhounds." Of course, provisos requiring the instruction of apprentices on ship-board, or additions to develop our deep-sea fisheries, could be added.

National sentiment has crystallized in favor of the early passage of such legislation. With our shipping once more a healthy, vital part of our national life, it does not require much insight to foretell the future. Geographically and industrially, we are in a position to become by far the great-

est commercial nation in the world. The twentieth century will witness great strides in our economic development. We have made an initial step this month to reach commercial supremacy, pass it, and leave it far behind.

**Independent. 60: 1459-63. June 21, 1906.**

Meaning and Necessity of Ship Subsidy. William P. Frye.

As an American I confess that it is most humiliating to me to travel around the world and never see an American flag except on the homes of American consuls and diplomatic offices—no American flag in any port abroad. Our country is one of the most powerful, one of the wealthiest countries on earth. It is a great maritime country, with an enormous coast line, over ten thousand miles in extent, with great harbors and great rivers, with a commerce which last year amounted to over two billion six hundred million dollars, with iron and coal enough to supply the whole world, forests without limit and skilled labor sufficient to produce anything, and yet this great nation has permitted its commercial rivals to seize upon all the great pathways of the oceans, almost entirely excluding us from them. This is what to me, as an American citizen, is humiliating beyond expression.

Last year, for example, not an American vessel entered or cleared, in the foreign trade, in Austria-Hungary, Denmark, Italy, Netherlands, Russia, Spain, Norway, Sweden, Portugal, Greece, Scotland, or Ireland; only one in France, two in Germany, fifty-seven in England,—forty-seven being credited to the American line, which was started a few years ago under the unfortunately amended effort which Congress made toward ship subsidy. The other ten steamers were also built in expectation of the shipping bill of 1901. For the entire continent of Europe there were 88 American entries out of a total of 4,154; 90 American clearances out of a total of 4,490—47 being those of the one American line. A few years ago our consul at Bergen, the principal port of Norway, imposed certain fees and taxes upon a little vessel, the "Hamilton Fish," which, accidentally, I think, entered

the port. His attention was afterward called to the fact that these fines had been repealed by Congress several years before. In his letter refunding the charges the consul wrote: "The fact that I have been consul here for fifteen years and that this is the only American vessel I have seen may be some excuse for my ignorance of the law."

It seems to me that this picture ought to humiliate and mortify every patriotic citizen of the United States who glories in the power and prosperity of his country. But it is more than humiliating. It is absolutely dangerous to be so utterly dependent upon the other nations of the world. In times of peace it is bad enough to be helpless in the hands of foreign carriers at the mercy of their pleasure and their rates, but suppose there is a European war; suppose Great Britain and Germany come to conflict of arms and demand all of the transports over which they have control, gathering them in from these lines that are now crossing and recrossing the Atlantic and the Pacific, who is going to carry our billion, four hundred and eighty million dollars of export? Who is going to pay the increased rates and increased war premiums or insurance of goods carried in these ships if at all? In my opinion, the farmers, the manufacturers, the wage earners of the United States would have to pay a penalty, nearly, if not quite, equal to that paid by either of the contending parties, wiping out the financial benefits to be derived through produce exported at war prices. I fail to see how anyone can be blind to our dangers in this regard. It is no less, if the war should be our own. Our brief decisive war with Spain compelled us to hunt the seas over for transports and colliers, to purchase or charter forty ships from foreign nations. If the war had lasted a year or had been with a more powerful nation, and neutrality had been enforced as it should be, we should have been in most serious straits. As it was our producers paid heavy penalties in increased rates.

Even from a purely commercial point of view and in peaceful times can anything be less helpful to us than the employment of agencies whose interests are entirely antagonistic to our own? Can we expect foreign carriers to be ambitious in extending our foreign trade?

It seems to me that every loyal and patriotic American must participate with me in this humiliation and anxiety; must feel with me that something ought to be done; must ask in all seriousness, What is the cause of this condition of things? There is only one cause—American wages. That is all there is to it. American wages increase the cost of our ships for the foreign trade at least 25 per cent. In the raw material we can very likely produce the ships as cheaply as they can be produced anywhere in the world; but the raw materials are but half the cost of the ships. The construction is the other half. In that construction we pay the men who do the work twice the wages that are paid on the Clyde to-day; more than twice the wages paid in any German shipyard, and a good deal more than are paid in Norway. Our vessels to-day cost at least 25 per cent more than exact counterparts built in any other country in the world.

And after all the building of the ship is but a small handicap. It is the operating of the ship afterwards which excludes us from the ocean. To make this plain I will give a few items from a careful comparison of three practically sister ships, which I had prepared for the Senate a short time ago. At the time the figures were absolutely correct, and I do not imagine they have materially changed. The comparison illustrates what exists over all the oceans. On the three ships—the “St. Louis” of our own line, the “Oceanic,” and “Kaiser Wilhelm der Grosse,” leaving out the pay of the masters which is arbitrary, the monthly wages on the first amount to \$11,305, on the second to \$9,800, and on the third to \$7,715. But the “Oceanic” is larger and faster than the “St. Louis,” carrying 47 more men, and the “Kaiser” is larger still, carrying 120 more men. If they are both reduced to the speed and number of men of the “St. Louis,” it will be found that the German ship is running at a monthly cost for food and wages of one-half that of the “St. Louis,” and the British ship at one-third less. I carried the comparison much farther, between ships running to South American ports and on the Pacific, with as great or greater divergence.

Beyond this there is another point to be reckoned in con-

sidering the question. Of all the steamships in the world of fourteen knots and upward 80 per cent are subsidized by the countries whose flags they carry. Great Britain is reasonably wise in matters of this kind, and in various aids paid, in 1901, over six million dollars. France paid over seven millions. Germany, only beginning to reach out into the world's commerce, paid more than two millions, and established two new lines to the East which she heavily subsidized. Spain paid to one single line a million six hundred thousand. Japan, four years ago, was paying four and a half millions. The United States, with the largest coast line, the largest production, the most necessity for foreign markets and the worst handicapped service, by dint of long pressure, paid nine hundred and ninety-eight thousand dollars.

These nations have paid the postal subsidies to establish mail lines from their great commercial ports to the commercial ports of the world for purposes of trade and for nothing else. The mail must precede trade, and they have paid over twenty-five million dollars a year for the one single purpose of putting themselves in a position to dispose of their surplus products in the markets of the world. There is not a nation of the world that needs markets for surplus products more than the United States of America. Is there anyone so foolish as to dream that in endeavoring to find these markets it is profitable for us to seek them thru our enemies in trade? Who doubts that an American ship, commanded by intelligent, active, earnest, interested American officers, is a better instrument for the distribution of our products abroad and for the finding of new markets than a foreign ship, officered by foreigners, who are and will be dangerous rivals in these very lines.

There is one way—and I know of only one—by which we can recover what we have lost and retain our proper position upon the seas. The Treasury of the United States must at least equalize the difference between conditions. And why should it not equalize these conditions when the Government protects every other industry in the entire country for purposes of trade? Why should it neglect utterly and entirely and leave to the mercy of foreigners that interest which, from a national point of view, is of much

more value to the Republic than many others. The policy of protection is endorsed by the country, and it seems to me that it has been beneficent. Industrially, we really have no peer to-day. Nearly every industry has been protected, to enable it, against existing handicaps, to compete with the world and is flourishing. The one which, from a national point of view, is the most important of all, has been, for fifty years, utterly neglected, compelled to compete without protection against protected rivals, which unprotected, would still be at very great advantage. The natural result has followed. In 1901 we carried only 6 per cent of our exports under our own flag. The report of the New York Produce Exchange, a few years ago, stated that of 55,764,000 bushels of grain shipped that year from New York to foreign ports, not a bushel went on an American vessel.

We had an intimation of what the benefit of protective legislation might be when the bill of 1901 was pending. It passed the Senate and the friends of the bill had every assurance that it would pass the House. Shipbuilders wrote me for my opinion, and I told them frankly that I believed the bill would become a law. On the strength of this confidence they began work in their yards on large ships of great speed to be used in foreign trade. If that bill had become a law, instead of carrying only 12 per cent. as we did last year, of our enormous commerce, which amounted to over two billion, six hundred million dollars, we should have carried at least a quarter of it. Even in the result of that mistaken confidence, which lasted long enough only for a start, we have this suggestive result: While in 1900 we carried but 6 per cent. of our exports, in 1903 we carried 9.1 per cent.; in 1904, 10.3 per cent.; in 1905, 12.1 per cent.; entirely due to the fact that these ships had been built in the expectation that the bill would become a law.

Another suggestive indication is the magnificent fleet of coastwise, river and lake vessels which we have to-day carrying hundreds of millions of tons of freight and hundreds of millions of passengers at lower rates than are elsewhere known, because for a hundred years this industry has been protected by a law prohibiting any foreign vessel from en-



gaging in it. We are spending hundreds of millions of dollars for the construction of a canal for the accommodation almost entirely of foreign ships. We have spent in the neighborhood of five million dollars on the harbor of Galveston, and but one American ship uses it. Millions of dollars have gone into deepening and perfecting our harbors to permit foreign ships to come to our docks. Last year we spent four million dollars for lighting our coast and only received a million dollars in tonnage taxes. It was almost entirely for foreign ships. In fifteen minutes we agree to build a warship costing five million dollars. We pass a river and harbor bill, as we ought, carrying fifty million dollars. But I believe that the highest duty of the United States to-day is to provide protection which shall encourage American vessels to compete in ocean commerce. I do not consider that mail subsidies alone are so essential. The aid should extend to all ships, sail or steam, registered and engaged in the foreign carrying trade. It is the purest kind of democracy. A postal subsidy is aristocracy. It means monopoly. It is paid to but one great line, running between two ports, practically excluding other lines from running between these ports. We should seek to encourage the building of ships by any man who has money enough to build them and the establishment of lines by any corporation that desires to run between any ports they choose. This can never be accomplished while the facts remain as they are to-day when an American vessel plying between New York and Brazil, charging \$7.50 a ton, and a Spanish vessel between the same ports, charging \$5 a ton, make precisely the same profit. It will never accomplish itself while conditions remain as in the last thirty years, when our shipyards have been building possibly one merchant ship for foreign carrying trade a year. It will never be accomplished till we do what other nations are freely doing for a better conditioned merchant marine and what this nation does with lavish hand for almost every other industry, infusing life by the benefaction of the Government; for every appropriation from the revenues of the Government, except for running expenses, is in the form of what is underlying a subsidy. It gives new life to what would not exist but for the force

which the Government infuses by its payments out of the Treasury. We do not make an appropriation of the kind that is not a subsidy.

**Independent. 62: 9-13. January 3, 1907.**

American Ships on the Pacific. John D. Spreckels.

No market in the world can be won and retained without mail communication. It is the imperative need of commerce. It compels the nations, regardless of expense, to foster and expand their postal service. The better the facilities they provide the greater the expansion of their national industries. All nations transport their mails under their own flag if possible, and the constant effort, everywhere, is to secure the most rapid and frequent means of communication between cities, states or countries, because all the world recognizes that the approach to the market must be quick and convenient. Hence the imperative demand for fast and frequent passenger and mail steamers on all the ocean highways of the world—steamers flying the American flag if we would induce foreign capital to invest in the products of the United States.

**Independent. 53: 10-5. January 3, 1901.**

National Problem. Marcus A. Hanna.

The modern free trader seems to think that if a nation will, by law, permit the registry of foreign built vessels, it has done all that it should do for the upbuilding of its shipping. Strange to say, in order to back up this position, reference is usually made to the success of Great Britain as a result of her free ship policy, whereas Great Britain's success has not, at any time, rested upon the free registry of foreign built vessels, as almost all of Great Britain's shipping is British built. It must be manifest that a law which admits to British registry foreign built ships, under which no foreign built ships are registered as British, can be of no benefit to Great Britain as a nation, or to her people as

shipowners. Another strange thing, in this very connection, is the fact that the advocates of free ships as a rule fail to point out wherein it has been of such advantage to other nations in building up their merchant shipping. My information is that few, if any, of the great powers deny to their citizens the right to register foreign built vessels under their own flag. Since this includes many nations which operate their ships much more cheaply than British ships are operated, and yet free shipping laws have failed to substantially, if at all, increase their merchant shipping, how may we, a nation under whose flag ships are operated at a much greater cost than is the case with ships under any other flag, expect to make a success of building up our mercantile marine under a free ship law alone? While I am on this point, I will add that I have met quite a number of citizens who happen to own foreign built ships and are now operating them under foreign flags. Not one of these has ever suggested to me the repeal of our law that limits our registry to home-built ships. I am told, and I sincerely believe, that the mere privilege of registry would not induce any of these owners to put their ships under our flag. The extra cost of running a ship under the American flag that is now being operated by an American citizen under a foreign flag would, I am informed, place him at such a disadvantage in his competition with other ships under foreign flags as to ruin him. And I believe this to be true. The demand for free ships in the United States has never come from the shipowning class. If free ships would be such an advantage, this is the class of our citizens which should first realize the fact and seek to take advantage of it.

But, even if the free registry of foreign built ships were a method by which we could restore a shipping to the seas under our flag—what then? Would it be wise for us to go abroad for our ships? I think it would be most unwise, economically, and dangerous nationally. We must have shipyards and shipbuilders of our own, to be independent upon the sea; and we should be independent upon the sea. Discussing this subject over a hundred years ago, with a keenness of perception only equaled by his lucidity of expression, Thomas Jefferson, in a famous report to Congress

while Secretary of State, said, after pointing out some of the evils of dependence upon other nations for our ships:

"The loss of seamen unnoticed would be followed by other losses in a long train. If we have no seamen, our ships will be useless, consequently our ship timber, iron and hemp; our ship-building will be at an end; ship carpenters will go over to other nations; our young men will have no call to the sea; our products, carried in foreign bottoms, be saddled with war freight and insurance in time of war—and the history of the last hundred years shows that the nation which is our carrier has three years of war for every four years of peace. . . . It is easier, as well as better, to stop this train at its entrance than when it shall have ruined or banished whole classes of useful and industrious citizens."

Again, in the same report, Jefferson said further:

"If particular nations grasp at undue shares of our commerce, and, more especially, if they seize on the means of the United States, to convert them into alimnt for their own strength, and withdraw them entirely from the support of those to whom they belong, defensive and protective measures become necessary on the part of the nation whose marine resources are thus invaded; or it will be disarmed of its defense, its productions will be at the mercy of the nation which has possessed itself exclusively of the means of carrying them, and its policies may be influenced by those who command its commerce."

To be sure, many of Jefferson's followers have drifted away from his teachings in this respect. Had he been asked in 1793 to predict a condition that would exist in 1900 and the consequences of it, he would not have had to change a word in the paragraphs I have quoted.

#### **Congressional Record. 40, pt. 2: 1876-84.**

Boies Penrose.

It is an old cry against protection to American industry that it takes money from the pockets of the many to put into the pockets of the few. This assertion is a hundred years old in America. It has echoed and reechoed through a hundred political campaigns. It has deceived the unthinking, but it has never stood the test of frank examination and honest inquiry.

This bill will cost the American people something. Its subventions must be paid out of the National Treasury from money collected indirectly from all the people, but the ships which these subventions will give the nation will serve the interests of all the people.

The money which is being used, for instance, to irrigate the arid regions of the West is the money of the many, but it is a shortsighted view that its expenditure benefits only the few landowners of the neighborhood. It is of great advantage to them and of great advantage to the State or Territory in which the land reclaimed by irrigation is located. But this money expended in irrigation benefits the entire country through increasing our arable domain and the productive power of our agriculture.

**Congressional Record. 40, pt. 6: 5818-40.**

Merchant Marine. Charles H. Grosvenor.

This bill of the Merchant Marine Commission, which has already passed the Senate, will, in the first place, give the United States what it now absolutely lacks—a trained naval reserve of the picked officers and men of its merchant marine and fisheries instructed in gunnery, enrolled, organized, and disciplined, and ready to man the auxiliary ships or to reenforce the fighting crews in case of war. Every other maritime power except the United States now has such a reserve, a sea militia, a second line of ocean defense, holding the same relation to the regular navy that is held toward the Regular Army by our State militia or National Guard.

A great, prosperous merchant fleet will benefit not only the coast States and their people but the people of every State and Territory. This will be a new national industry giving work and wages to thousands and tens of thousands of our population. "Ships," declares President Roosevelt, "work for their own countries just as railroads work for their terminal points." These ships, once built and afloat, will get to work to make new markets for the products of the agriculture of the Mississippi Valley, the grain States of the Northwest, the cotton States of the South and Southwest, and the manufactures of New England, New York, Pennsylvania, Illinois, and Indiana. They will put an end forever to the present humiliating dependence upon our foreign competitors for the means of reaching the markets where we and they are striving for the mastery. We shall

have delivery wagons of our own without relying upon the delivery wagons of our rivals. And above all we shall have waiting and ready a great fleet of auxiliaries and a great body of brave, skilled, and patriotic American seamen who, while serving our trade in peace, will be ready to defend our coasts and our flag in war.

Suppose we had a war to-day, or suppose we had no war to-day, but that England and France had, or that France and Germany had, or that Germany and England had; or suppose even the minor nations of Europe had war with each other; what would become of the commerce of the United States? Ninety per cent of it is being carried in foreign ships, not alone in English ships, not alone in French ships, but in German and Italian and directly in Japanese as well as in Norwegian, Swedish, and Danish. Suppose any of these nations now were involved in war, what would become of our commerce? If we had ships of our own, we could carry our commerce under our own flag and defy the nations that were at war to interfere with us. How long would it be, Mr. Chairman, until these contending forces would enforce the laws of war and seize the merchant ships that were carrying our commerce and drive that enormous commerce that we are so proud of off of the face of the seas? So no great commercial nation can maintain her supremacy in commerce if she does not carry her commerce under her own flag and protect it by her own power and in her own ships.

**Arena. 23: 606-16. June, 1900.**

**Should Our Marine be Subsidized?**

**John C. Watson and Richard Runke.**

Not since the civil war has there been such widespread interest in our marine as is manifested to-day. A considerable body of our people are clamoring for aid to this industry, especially through Congressional enactment. That the marine should be further protected is usually postulated on the assumption that our early marine was due to such measures. It is the purpose of the present article to inves-

tigate this claim closely and critically, as well as to consider the present condition of this industry.

In order to determine the effect of our past policies, and to show what forces operated to cause the growth and decline of our carrying trade, it is necessary to give a brief history of our merchant marine from the commencement of the government to the present time.

Previous to the Revolutionary war, the Americans were permitted as English colonists to export and import colonial products in American ships. By this means they had built up a large trade with the English colonies, especially with Canada and the West Indies. But the Americans, being a maritime people, desired greater privileges than were afforded by the rigid navigation laws of Great Britain; and as French, Dutch, and Spanish colonies offered an inviting field for commercial activity, infractions of the English laws became very common. The effort of the mother country to enforce the restrictions was one of the prime causes of the Revolution.

From 1783 to 1789, commerce was regulated by the several States. But these laws lacked uniformity, and commerce declined. The need of uniform laws was recognized, and therefore the regulation of commerce was delegated to Congress. The first question discussed when Congress convened in 1789 was, how to promote the American carrying trade. As early as 1783, Washington had declared to the world that if any nation or nations would give the United States reciprocity in shipping, the same privileges in American ports would be extended. Protection to shipbuilding was not considered, for ships could be built more cheaply in the United States than in any other country. Said the *Pennsylvania Packet*, a leading journal of that time, in giving a review of commerce and industry: "The cost of an oak ship in New England is about 24 Mexican dollars per ton fitted for sea, while a fir vessel costs in the ports of the Baltic 35 Mexican dollars per ton, though the American vessel is much safer and more durable." In the debates in Congress the American advantage in cheap construction was not disputed.

It is asked, Then why did our government discriminate

by levying a duty of 10 per cent. on goods imported in foreign vessels? Because, with independence in 1783, the privileges the colonists had enjoyed in shipping were withdrawn. Our exports to British colonies had to be carried in British ships, thus excluding our vessels from this trade. Moreover, all the leading European nations maintained prohibitions and discriminations against foreign ships. It was to overcome those burdens and force reciprocity in shipping that the United States levied her discriminating duties. Said Representative Benjamin Goodhue in 1789: "There would be no occasion to lay additional duties on foreign ships if our own vessels were not subjected to charges in foreign ports over and above what the natives pay. It is the operation of this unequal burthen that makes it necessary for us to discriminate."

Differential tonnage taxes and the discriminating duties were passed in July, 1789. So far as those acts operated to overcome the disadvantages placed upon us by foreign nations, the discriminating-duty policy was beneficial; but it is erroneous to conclude that the steady increase in our tonnage and commerce was due in any great degree to those duties. A large part of our trade was with England, upon which we levied the discriminating duties; but England shortly afterward imposed a countervailing duty, thus neutralizing the effect of the measure as a method of retaliation. Henceforth our policy was to secure a repeal of the English navigation laws. By the treaty of 1815 both countries removed the duties on goods imported in ships engaged in direct trade. This was done with the hope that England would allow our vessels to carry our exports to her colonies, but this she refused. Fifteen years later those restrictions were partially removed, but it was not until 1849 that American ships were granted equal privileges in all English ports. Similar treaties embodying the principles of reciprocity were negotiated by the United States with other nations, most of them being concluded before 1849. To-day, thirty-two such treaties exist.

Let us now consider the increase in our tonnage and commerce up to that time. The discriminating duties went into effect late in August, 1789. The tonnage credited for that



year is given as 123,000, but that represents only the amount that entered during the remaining four months. The tonnage for 1790 was 340,000. In Pitkin's Statistics the amount of American tonnage in foreign trade in 1789 is given as about 330,000. These figures, therefore, effectually disprove the arguments of those who compare the tonnage for 1789 and 1790, and maintain that the apparent increase of 200,000 tons was the result of the discriminating-duty policy. Up to the close of the century, the marine, in common with other industries, enjoyed a healthy growth—due largely to the adoption of the Constitution, which delegated the regulation of commerce to Congress.

From 1793 to 1815, the Napoleonic wars continued in Europe with more or less intensity. The United States being an isolated and neutral Power, much of the carrying trade was thrown into the hands of the American shipowners. How important this was to the marine interests is shown by the fact that the amount of products of foreign origin re-shipped from the United States in American vessels, from 1796 to 1808, exceeded in most cases the amount carried of domestic products.

The year 1815 saw the close not only of our own war but that in which European countries had been engaged for over twenty years. Those countries now reentered the field of maritime competition, and in addition exported a large amount of manufactured goods to the United States. These forces, coupled with the disorders of our depreciated currency, produced a brief period of commercial stagnation, which included our maritime interests. The decrease in tonnage of 1818 was due to a revision of the registry list whereby all vessels wrecked or captured were removed. That this did not decrease the efficiency of the tonnage is shown by the fact that the percentage of carrying actually increased.

During the next period, from 1820 to 1830, our commercial prosperity returned; and, being assisted by the partial removal of foreign shipping restrictions, the marine enjoyed an unparalleled growth.

The second treaty of reciprocity was concluded with Great Britain in 1830. Our vessels were now privileged to trade with the West Indies and other British colonies. The

effect was most beneficial. Our commerce increased during this period more than 50 per cent., while our tonnage almost doubled. It is true that the percentage of carrying slightly decreased, but a large part of our tonnage now left the carriage of the exports and imports of the United States for the more lucrative carrying between foreign nations. The entries of American ships into foreign ports with cargo from foreign countries show that a considerable portion of our tonnage was thus employed.

— The last period—that which followed the removal of all British and American restrictions in 1849—was the most prosperous one in the history of the marine. Our ships, now given complete reciprocity in the carrying trade, penetrated every port. From 1847 to 1861 our commerce more than doubled, while our tonnage increased 150 per cent.—and also increased greatly in efficiency. During this period the marine received no assistance except aid to a few mail steamers. That this did not benefit our foreign commerce or increase our tonnage is proved by the fact that those lines only carried mails and passengers, and that the aggregate tonnage of the Collins, Havre, and Bremen lines—the lines so subsidized—did not exceed 30,000 tons. Then, too, our exports and imports were carried almost entirely by wooden sailing-vessels, known as the celebrated American clippers. At this time those vessels were in greater demand than the ships of any other nation, and they received the most profitable carrying. Why the percentage of our carrying continually fell off is easily explained. In 1868 Franklin H. Morse, United States Consul-General at London, made an exhaustive investigation of the amount of American tonnage engaged in carrying between foreign ports during the '50's, and found that fully 63 per cent. was thus engaged. He further substantiated his conclusions by taking the year 1856 as a basis of estimate and showing that not more than 1,200,000 tons would have been required to carry all our outgoing exports, allowing that the vessels would have a return cargo. Such being the case, not more than 1,000,000 tons would have been required to carry the 66 per cent. of our exports and imports carried that year; therefore, the remaining 1,300,000 tons must have been engaged in carrying between foreign

ports. The estimates of Mr. Morse are corroborated by the investigations of David A. Wells and by Joseph Nimmo, chief of the tonnage division in 1869.

In giving this brief review we have endeavored to show that the prosperity of the marine was due to the inherent advantages of cheap construction and operation; that the discriminating duties were merely acts of retaliation; and that their removal, giving us greater commercial privileges, was followed by an expansion of both tonnage and of commerce.

What, then, caused the subsequent decline of our marine? Between 1848 and 1855, it was demonstrated in England that for all practical purposes an iron steamship was superior to a wooden sailing-vessel, and ultimately cheaper. But up to 1855 the demand for the American clipper was so great both at home and abroad that our builders did not adopt the method of iron construction. When the foreign demand for wooden vessels ceased, the amount of American construction greatly decreased, as the figures prove. England, with cheaper iron and superior facilities for this class of construction, developed through years of experiment, had now so decided an advantage that the American builder could not compete; and, American registry being refused to foreign-built vessels, our marine consequently began to decline in 1855. The civil war, with all its demoralizing consequences, beginning in 1861, only hastened the decline. With no protection from Confederate cruisers, a large portion of our tonnage was transferred to foreign flags. In four years the tonnage was reduced by 900,000 tons, 751,000 of which were sold abroad, mostly to England, while the remainder was destroyed.

During the period immediately succeeding the civil war, shipbuilding materials were higher in the United States than in Europe, and a heavy duty on iron made the construction of the iron steamship almost impossible in American yards. At this time, too, began the era of internal improvements, when the United States, isolating herself from the world, endeavored to become independent of other nations. The building of railways and manufactures and the development of Western lands absorbed millions of dollars at high

rates of interest. Capital, therefore, turned from the sea, where it must operate at a disadvantage, to more promising fields. In a word, the decline of our marine was due to the invention of the iron steamship, the civil war, the high tariff on iron, and the development of the great Northwest.

But the favorable conditions preceding the civil war are with us once more. It now costs no more to construct and operate American vessels than those of any other country. Returns from capital invested on the sea have become equal to capital employed on land, as is evidenced by the amount of American capital invested in vessels sailing under foreign flags. According to Commissioner Chamberlain's last report, there are 315,000 tons so owned, and this does not include the enormous business done by Americans with vessels chartered from foreign owners. Capital has thoroughly exploited the Western country and is now seeking other investment. We can therefore confidently look forward to an era of great prosperity in the shipping industry.

But, granting for the moment that natural conditions are not favorable, although we have shown they are, before giving subsidies to our marine we should first consider the failure of this policy in the past. The lines from New York to Havre and Bremen were established in 1846, while the most important one—the Collins line to Liverpool—began in 1850. In the eight years of its existence the Collins line was paid more than the entire value of its fleet by two and one-half millions of dollars; yet it failed utterly. The three lines mentioned were discontinued in 1858, and a considerable portion of this United States mail service was maintained without subsidy up to 1861 by the fleets of Cornelius Vanderbilt. Thus it was demonstrated that a company with sound business methods could continue in competition without governmental assistance. The Brazilian line, established in 1866, was discontinued ten years later; for, says the *New York Journal of Commerce*: "It was conceded by its friends in Congress that it failed to increase our commerce to the South American countries."

An examination of the figures giving our exports to Brazil will show that during the early period of the subsidy the exports remained almost stationary, scarcely reaching the

amounts exported during the civil war. In 1873, the exports began to increase, and they continued to do so after the subsidy had been withdrawn. Again, the Pacific Mail Steamship line to China was heavily subsidized in 1867; but it failed, as did the Brazilian line, to increase our commerce, and was ultimately ruined by extravagance and mismanagement. Said President Hadley, in an article on subsidies: "Up to 1865 the Pacific Mail had been a sound concern. Its shares stood above par. After it was subsidized it fell into the hands of speculators and its shares dropped below 40." In 1872 this corporation tried to get an increase of its subsidy and expended \$900,000 in promiscuous bribery. The Congressional investigation that followed revealed a piece of legislative corruption scarcely paralleled in the history of the country. In every one of these instances Congress refused to renew the subsidy on the expiration of the contract, which would seem conclusive evidence that they had failed to meet the expectation of their promoters.

The Red "D" line to Venezuela was established under the postal law of 1891, and the advocates of the measure claimed that it would prove a great stimulus to our commerce; but the figures show that our exports to Venezuela have actually fallen off from \$4,700,000 in 1891 to \$2,700,000 in 1897.

Such, in brief, is our experience with postal subsidies: no material increase in our commerce, no additions to our tonnage, and every attempt characterized by extravagance and corruption. In no instance could the system be considered successful and in almost every case it has proved an absolute failure. But even if the postal subsidy system had proved successful, and been free from inherent evils, and even if we should establish mail routes to the various foreign ports, the lines so established would add but a trifling percentage to our tonnage. Such a system would be entirely inadequate to rehabilitate our marine.

Recognizing this fact, the subsidists are advocating the passage of a measure familiarly known as the Hanna-Payne bill, which they claim would promote our commerce and effect a substantial increase in the marine. The limits of this article preclude a detailed discussion of the measure;

but a bill with a purpose so evident as that of the Hanna-Payne bill ought not to commend itself to the serious consideration of the American people. Under the guise of patriotism, and feigning a deep solicitude for the marine, a coterie of shipbuilders and shipowners framed the bill solely in their own interests, and aided by a powerful lobby have been endeavoring to secure its passage through Congress. The advocates of the measure will not state definitely what amount would be required annually to meet the contracts; but a conservative estimate of the minority of the Committee on Merchant Marine and Fisheries places it at \$8,250,000, one-half of which would be paid to four companies that are already doing a most profitable business. Such a measure, framed in the interests of wealthy corporations, heavily discriminating against their weaker rivals—the “tramp” and sailing vessels—and giving no return for the subsidies received, would not foster our marine but would be a positive hindrance to its future prosperity.

But the subsidists claim that some such aid as that provided in this bill is necessary because of the higher cost of operating American ships and because the cost of construction is higher in America. What are the facts? They are easily obtainable, and it is surprising that misstatements as to these matters are so common. If there is one belief more deeply rooted in shipping-protection discussions than any other it is that crews' wages are higher on American ships than elsewhere. It is evident that in the absence of statutory requirement an American ship may hire its crew as easily in Liverpool as in New York, as easily in Hamburg as in Philadelphia, as easily in Hong Kong as in San Francisco—if she plies between any of these ports. And the same is true of any vessel, foreign or American. Says Section 4,519 of the Revised Statutes: “Every master of a vessel in the foreign trade may engage any seaman at any port out of the United States to serve for one or more round trips from and to the port of departure or for a definite time whatever the destination.” Not only is this true in theory but also in practice. Where do the American steamships, “New York,” “St. Louis,” and “St. Paul,” hire their crews? As provided for by their postal contract with the

government, they must hire American citizens to the extent of half their crews. We will speak of the remaining half of the crews provided for by this special agreement. Says Shipping Commissioner Dickey, of New York, an ardent protectionist: "These vessels hire most of their men in Southampton, England, as all other vessels are at liberty to do." Again, where are the men hired who are employed on board the ships of the Pacific Mail Steamship Company? Almost to a man they are secured in Hong Kong, and the great majority are Chinese. Steamships of all nations in the Asiatic trade employ Asiatics on the deck and in the hold, and in this respect the American and his competitors are on a perfect equality.

In order to settle once for all this much-mooted question of wages, let us consult the officials of the Sailor's Union of the Pacific, the Atlantic Seamen's Union, and the International Seamen's Union of America. We will quote their secretary, the editor of their organ, the *Coast Seamen's Journal*: "Wages are equal on the vessels of all nationalities when shipping crews in any given port. In other words, it is the 'rule of the port' and not the flag of the ship that governs wages. The usual statistics on this subject are grossly misleading." Finally, says, Mr. Chamberlain, the Commissioner of Navigation: "The difference between American and foreign rates of wages can be, and in fact is, overcome by shipping crews in foreign ports for the round trip." When we remember that Mr. Chamberlain is one of the strongest advocates of subsidies, this admission by him is significant and conclusive. As regards various other elements of operating expense, such as provisions, coal and oil, etc., it could be demonstrated, if space permitted, that American shipowners have positive and very considerable advantages over their competitors.

Let us briefly consider the cost of constructing the latest types of steamships in American yards. The entire cost of a ship is embraced under two heads—material and labor. Materials—such as iron and steel, fittings, parts, and equipment—are not only as cheap but cheaper in the United States than in any other country. So cheap is shipbuilding

material that we export ship-plates to England. One-half the plates in the great "Oceanic" came from Pennsylvania.

Now, in regard to labor: It is largely skilled labor, well paid—better than similar labor in England. Some American builders claim they cannot compete because they pay higher wages. The higher efficiency of American labor is admitted on every hand. Says the editor of the *New York Journal of Commerce*: "Undoubtedly any difference in wages is more than made up in the greater value of the labor. That the American builder can compete needs no proof to one conversant with the facts." On this point we can quote the greatest American builder himself, Mr. Charles Cramp, who said before the Senate Committee on Labor: "For the Russian war-ships we are building we competed with Germany and France. We could deliver the ships in thirty months. The French wanted five years, and the Germans and Russians wanted more money and longer time. We have also built ships for the Japanese government, and our bids were lower by 20 per cent. than those of Armstrong, the English builder. We have higher skilled labor, and this aided us in getting the contracts." Thus Mr. Cramp himself admits that this very labor, high-priced as it is, is an advantage. Higher authority could not be quoted. What must we conclude, then, as to the comparative cost of construction? It is clear that shipbuilding constitutes no exception to the general rule of American superiority in manufactures.

With this brief review of the situation we see that subsidies in the past have not succeeded in maintaining or rehabilitating our marine. We see also that such a policy exposes us to the ever-present dangers and evils of corruption. But a still more cogent argument is that the industry is in no pressing need of governmental aid. A fair and sober consideration will show that the American is in no respect at a disadvantage, and in many cases is at a positive advantage.



Shipping Subsidies. Royal Meeker.

The political arguments are two in number: first, the need of national self-sufficiency, and second, the need of a merchant navy to serve as an auxiliary naval force and to furnish transports and seamen for the war navy. As to the first count, it is impossible for any nation to be entirely independent of other peoples. Except possibly for military reasons, there can be no object in owning ships merely to show our independence of other nations. To hire foreign ships is no more an indication of inferiority or dependence, than to buy foreign fish or flannels. Secondly, as to the military value of a merchant fleet, it is obvious that it is a source of danger and not a protection in time of war. Witness our own Civil war, when a few Confederate cruisers swept half our great merchant marine off the seas in spite of our powerful war navy. The more shipping a nation possesses, the more vulnerable it is to attack. It is much cheaper and better for the government to build cruisers that can cruise than to subsidize a private corporation to build pseudo-war vessels that are inefficient as carriers in time of peace and useless as cruisers in time of war. The war vessel has become so highly specialized, that no mail steamer can be successfully converted into an efficient cruiser. The fastest are too slow to run away from a real cruiser built for speed and the strongest are too weak to fight. As regards the ordinary merchantmen which make up nearly the entire commercial navy, canal boats could as readily be converted into engines of war as these lumbering ocean-drays. As for transports, it would seem more rational to buy them outright when needed than to pay millions in subsidies and then have to buy the subsidized ships when wanted.

If we had no merchant vessels the argument for a merchant navy to train up seamen for the war navy would have great force. But the United States ranks next to Great Britain in the tonnage of her merchant fleet, and close after Germany (i. e., third) in the tonnage of her ocean-going vessels engaged in foreign trade. There is no pressing need of hiring vessels to train up seamen.

Effectiveness of Subsidies.

Any candid man must admit that many causes tended to the commercial supremacy of England in the middle of the last century, and that this commercial supremacy involved the supremacy of her merchant marine. When steam first came in to draw the ends of the earth nearer together, England at once took advantage of the quickened mode of transit. She made mail contracts with the Cunard Line to Halifax and Boston; with the Peninsular and Oriental Company, first, to Gibraltar and later to Egypt, India, China, and Australia; and with the Royal Mail Packet Company to Spain, the Madeiras, the West Indies, and Colon, connecting at the latter place (via Panama) with the Pacific Steam Navigation Company to Valparaiso. But England did not acquire ships for the mere purpose of having them, nor, indeed, for the primary purpose of fostering shipbuilding. With England it was, in those early days, a case of paying for steam communication and mail service or going without it. Ocean steam navigation was then an experiment, and Great Britain's colonial relations made it a political necessity for her to try the experiment first. Her statesmen were forced to take the burden of risks which no private individual could prudently bear. Her supplies of coal and iron, her growing manufacturing interests, her imports of food and raw materials, and export of finished products, all contributed to the development of her merchant marine. The interests of the merchants of India, the manufacturers of Manchester, the colonists of Canada, as well as of the bankers of London, required that the British merchant marine should continue with the new motive power, steam, to be as powerful as it had been with sail.

What England's policy was earlier in the century, that has been the policy of Germany during the last twenty years. Germany has been every bit as envious as America of England's supremacy, and, like America, Germany has succeeded in obtaining a large share of the world's commerce. She has steadily followed in England's footsteps, has acquired colonies, built up her commerce, and developed her indus-

tries. But, in the matter of shipping, Germany has been wiser than America. Her motto has been that half a loaf is better than no bread; and if, at first, she could not build her own ships, she was willing to let England build them and hoist her own flag over them. Thus, the *Normannia*, which, not so long ago, held the record for speed across the Atlantic, and made the German flag known all over the United States, was built on the Clyde. Many other German ships have been and still are built in British yards. By pursuing this liberal policy, Germany has, after all, attained the very object for which America is striving—that is, the building up of her own yards; for the last two ocean greyhounds, the *Kaiser Wilhelm der Grosse* and the *Deutschland*, were both built on the Baltic, in the yards of the Vulcan Shipbuilding Company, at Stettin. The result of all this is that Germany's steam merchant marine to-day is second only to that of England.

The flourishing condition of the merchant marines of England and Germany is attributed by many people to the payments made by those countries for the transportation of mails, or as direct subsidies. These payments, in the case of England, amounted to about \$5,000,000 yearly, and are, with the exception of about \$325,000 Admiralty subventions, for actual service rendered by the steamship companies as mail-carriers. The amounts paid, for instance, to the Cunard and White Star Lines for the British fiscal year 1901, according to official figures, were: For British mails to New York, \$556,553; for Admiralty subventions, \$142,403—i. e., for a semi-weekly service, a total of \$698,956, and an average for 104 voyages of \$6,720.73 per voyage. The actual operating expenses of one of the large first-class steamers of these companies, for the round trip, are about \$75,000. This leaves a balance of more than \$68,000 to be earned in passage money (for the large transatlantic liners, it must be remembered, carry very little freight). Moreover, the travelling season, when the companies can count on every berth being sold out, is very short, and even then a steamer has a full passenger list only in one direction, for the tide of travel in the spring and summer is mostly eastward, and in the autumn westward. But the liner under mail contract must

nevertheless maintain dates throughout the year, even in the duller winter season, when passengers are few and rates are low. Thus these enforced winter trips consume a good deal of the profits of the summer, which would otherwise go to the credit of the steamer's account. On the other hand, a line not under a mail contract is free to cancel a date which does not promise to be lucrative, and take advantage of the dullness of trade to give steamers the necessary annual overhauling, or put them on a more lucrative route. A mail contract, then, is not an unmitigated blessing.

If subsidies were as beneficial as many assert they are, it would seem that subsidized lines should be more successful than unsubsidized ones; but in England the progress of the latter compares favorably with the progress of the former. The Bibby Line, unsubsidized, to Farther India, has successfully competed with the Peninsular and Oriental Company. In Germany, too, the Hamburg-American Line successfully competed with the North German Lloyd, for the first fifty years of its existence, without a cent of subsidy, and only recently entered into a mail contract, jointly with the North German Lloyd, to East Asia. The Hamburg-American Line's share of this contract, for the last business year, amounted to only \$65,000. This amount, according to the published statement of the Director General of the line, Mr. Albert Ballin, left no profit, owing to the numerous requirements of the contract as to the high class of vessels, speed, itinerary, etc. Among other successful unsubsidized lines may be mentioned the Atlantic Transport Line (controlled by American capital, sailed under the British flag), the Leyland Line, lately acquired by American capital represented by Mr. J. Pierpont Morgan, and the Holland-American Line. The last of these, according to the report of the Commissioner of Navigation, paid a dividend of 10 per cent. in the fiscal year 1899-00.

The countries mentioned, England and Germany, are those usually cited by the American advocates of subsidies. But the country in which subsidies have been paid most freely is France. Mr. Bates, in his 'American Marine,' says: "The shipping protection given by the Republic of France,

being general, is the very best foreign example, if we need one." What is the example of France? Commencing in 1861 with subsidies of 9,300,000 francs, or \$1,860,000, she has increased these payments from time to time, until the total, according to the French budget for 1901, is \$9,000,000 for the current year (including bounties on construction and navigation and mail payments). For this vast sum of money France has now a steam merchant-marine of only 1,068,036 tons—not as large as that of America.

By the law of 1881, which lasted for ten years, France initiated a policy of bounties upon shipbuilding and also upon navigation in native and in *foreign bottoms*, in addition to the regular subventions for postal services. The immediate effect of this law was an increase in the number of ships sailing under the French flag, and a corresponding increase in the construction and navigation bounties paid out by the Government. In 1889 the total had reached \$7,000,000 annually, and has remained at that figure, or higher, ever since. This increase in tonnage, however, did not mean a corresponding increase in French shipbuilding, for the French ship-owners seem to have been able to buy foreign ships to better advantage, despite the bounty the native shipbuilder received, and despite the fact that the navigation bounty for native-built ships was twice as much as that for foreign ones. Another noteworthy point is, that, as the term of expiration of this law approached, the ship-owners, uncertain whether the bounty would be continued, ceased increasing their fleet. They seemed, then, to regard the continued payment of the bounty as a *sine qua non* of the life of the French merchant-marine. The most ardent advocates of subsidies in America have always avowed that the payments proposed were only a temporary measure.

By the law of 1893 France abolished the bounty on boats of foreign build, but at the same time increased the payments for construction and navigation of native bottoms, and also renewed the liberal postal contracts. Her steam tonnage then was 855,798; in 1901 it was 1,068,036. During these nine years the payments made under the law mentioned averaged \$7,500,000 yearly. Almost co-incident with the passage of this law was the American act of 1892, estab-

lishing the American Line. The subjoined table of figures since that date\* may be interesting. It is compiled from the annual report of the United States Commissioner of Navigation, 1901, and Lloyd's Register. The tonnage given is *gross*, and includes steamers exceeding 100 tons. The tonnage for the United States includes lake and ocean steamers of the same capacity. The mail payments for the United States are for the carriage of mail by United States steamers to *foreign countries* only. (The steam tonnage of the United States registered for the foreign trade on June 30, 1901, was 429,722 tons.)

In the table below, the most interesting column is that referring to Sweden and Norway. This monarchy has a marine greater than that of France, but it pays only about \$175,000 per annum for subsidies and mail contracts, and part of this amount goes to foreign vessels not included in the tonnage given. Sweden and Norway have neither the colonies of England, France, or Germany, nor the outlying territory of the United States; their commerce, compared with that of those countries, is small; but of the ships which entered Swedish and Norwegian ports in 1900 in the foreign trade, two-thirds were native bottoms.

To sum up, in the two examples most frequently cited by the advocates of subsidies—England and Germany—other causes, more effective than subsidies, were at work to build up the marines of those countries, viz., great natural advantages, native industry, foreign commerce, and liberal navigation laws. Moreover, the lines subsidized by those countries have not prospered to any greater extent, for reasons shown, than lines which were unsubsidized. In France, where heavy subsidies have been paid for forty years past, the merchant-marine has, for a long time, practically stood still. The monarchy of Sweden and Norway, which grants subsidies and mail contracts of only a trifling amount, owns a steam tonnage greater than that of France. In view of these facts, it does not seem that the examples of European countries may be taken as arguments in favor of a general subsidized merchant marine.

*	UNITED STATES.		FRANCE.		GREAT BRITAIN AND COLONIES.	
	Steam tonnage.	Mail pay'ts, subsidies, etc.	Steam tonnage.	Mail pay'ts, subsidies, etc.	Steam tonnage.	Mail pay'ts, subsidies, etc.
1893	630,646	\$646,031	855,798		9,544,394	
1894	887,766	711,442	891,720		9,838,353	
1895	920,672	633,035	903,105		10,238,001	
1896	1,005,459	1,027,735	930,785	Average \$7,500,000 per year.	10,508,443	Average \$5,000,000 annually.
1897	1,105,423	1,280,063	954,916		10,799,446	
1898	1,175,762	1,038,141	972,617		11,719,247	
1899	1,236,308	998,111	997,235		11,168,189	
1900	1,454,966	1,269,660	1,052,193		12,149,090	
1901	1,704,156	1,250,000	1,068,036		12,739,180	

	GERMANY.		SWEDEN AND NORWAY.	
	Steam tonnage.	Mail payments, subsidies, etc.	Steam tonnage.	Mail payments, subsidies, etc.
1893	1,125,952		593,996	
1894	1,214,830	Average \$1,500,000 for postal services; also special tariff and railroad rates on building material for ships; not computable.	630,582	Average \$175,000 annually, including some payments to foreign vessels for postal services.
1895	1,343,357		679,920	
1896	1,436,539		773,667	
1897	1,549,961		857,193	
1898	1,644,297		947,172	
1899	1,946,732		1,117,984	
1900	2,159,919		1,183,233	
1901	2,417,419		1,261,355	

Engineering Magazine. 38: 423-4. December, 1909.

Can the United States Revive its Merchant Marine?

The policy of protection naturally leads to reliance on government assistance for projects of every sort. If the country can enrich its manufacturers by artificial aid, why can it not similarly establish in prosperity any and every class of its citizens? Why shall it not make agriculture wealthy by sugar bounties, or by spending thousands of millions for water supply? Why shall it not confer untold and almost unimaginable benefits upon the whole interior by more thousands of millions for a colossal scheme of deep waterways? If the argument is pushed to its limit, its fallacy becomes evident. We doubt whether even the single undertaking to subsidize shipping sufficiently to restore the American flag to its place on the seas, against the competi-

tion of the world, could be achieved except at a cost greater than the revenues of the country could stand. American shipping, as Mr. Dickie says, has been made a sacrifice to "the policy of high protection to industries," and we fear the sacrifice is complete and irremediable.

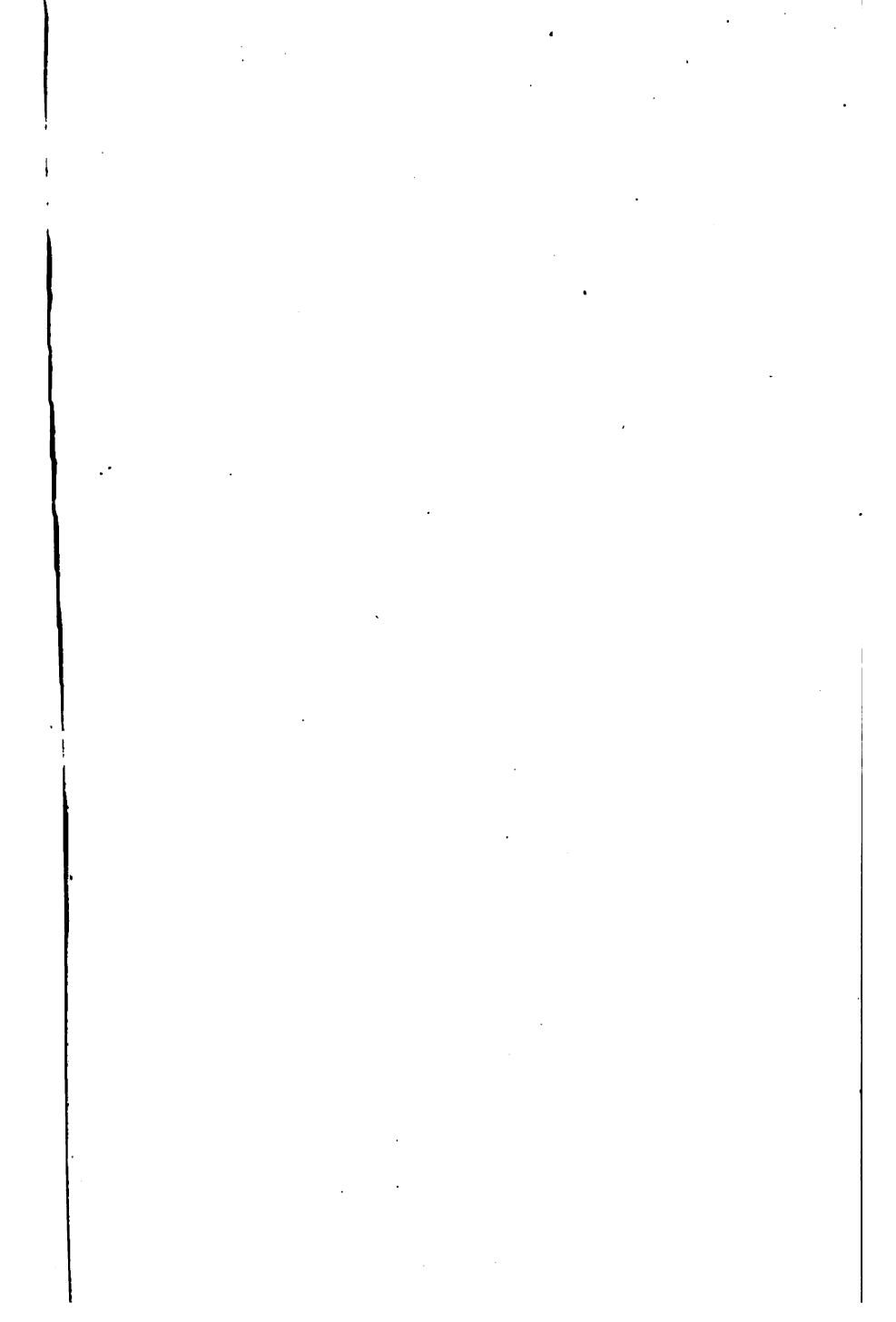
**Gunton's. 19: 113-25. August, 1900.**

Sound Shipping Protection. William W. Bates.

Our shipping has now unequal footing for a competition with foreign shipping. It is not in the nature of subsidy to produce equivalence. Sophistry may work this out, but events will fail to do so. To illustrate: There is engaged in the trade of Brazil certain shipping houses—British, French and German. Their vessels carry home ports to Brazilian, thence to ports of the United States, and thence to their own. They have a fine trade,—cargoes three ways. The French ships are under bounty in addition. All have a protection to employment which has become quite common abroad. Strange to say, it is the very same of each of the three flags—a freight "ring" or "combine." Our consul-general at Rio de Janeiro reports that this ring contracts with shippers to the United States to pay them rebates of 5 per cent., half yearly, on all freightage paid, provided said shippers have employed no vessels but those of the ring aforesaid. Possibly this protection applies to the business hence to Europe and thence to Brazil. It is common that American goods go to Brazil via Europe, also that American vessels going to Brazil find little of cargo to carry. Coming home there is nothing unless they have an order for a cargo, or one is bought. What will correct this situation—regulations of trade, or "compensation" for returning in ballast? Subsidy advocates say: "Let the rings alone, the treasury vaults are straining to rumble out their gold." Extra duties on goods and on foreign tonnage—not Brazilian—would soon give the carrying now done by the ring to American or Brazilian vessels, whose right alone it is to do it.



70 1941  
AIRBORNE



THIS BOOK IS DUE ON THE LAST DATE  
STAMPED BELOW

**AN INITIAL FINE OF 25 CENTS**

WILL BE ASSESSED FOR FAILURE TO RETURN  
THIS BOOK ON THE DATE DUE. THE PENALTY  
WILL INCREASE TO 50 CENTS ON THE FOURTH  
DAY AND TO \$1.00 ON THE SEVENTH DAY  
OVERDUE.

NOV 21 1934

REC'D LD  
14 MAR 59 FW

MAR 9 - 1959

MAR 14 1935

APR 22 1966 35

OCT 21 1937

MAR 22 1966 35

FEB 6 1941 M

FEB 20 1941

10 Jan '49 FW

~~FEB 11 1949~~

FEB 10 1949

YB 65879

261359

HE 743  
-U6 C6

